16 R

DEPARTMENT OF STATE INSTRUCTION

CONFIDENTIAL SECURITY INFORMATION
(Security Classification)

1938 1938

FOR DC USE ONLY

NO.: CA- 2211 October 21, 1953

SUBJECT: Department's Views with Respect to Use of U. S. Aid to Libya

773.5-MSP/7-2353
773.5-MSP/10-2153
773.5-MSP/10-2153
773.5-MSP/10-2153
773.5-MSP/10-2153
773.5-MSP/10-2153
773.5-MSP/10-2153
773.5-MSP/10-2153
773.5-MSP/10-2153
773.5-MSP/10-2153

TO: American Legation, Tripoli

RPT TO: Benghazi, London, Rome, Cairo, Frankfort for CINCEUR

References: Legation despatches 69, August 10; No. 40, July 23; and 130, January 15, 1953.

Reference is made to the Legation's despatch No. 69 of August 10, reporting on the activities of the Libyan Finance Corporation and requesting again the Department's views with respect to the possibility of U.S. contribution to or participation in the Corporation.

This question has been raised with the Department from time to time since the beginning of the Finance Corporation and the Public Development and Stabilization Agency in 1951. The Department has maintained consistently the following position on this question:

1. Approval of the establishment of the two agencies as recommended by the UN Commissioner for Libya.

2. The U.S. is not in a position to add to the contributions it is already making or prepared to make to Libya in the form of technical assistance directly through the FOA and indirectly through the UN and its specialized agencies, and payments for Wheelus Field Air Base plus the even larger benefits derived by Libya from the Base's operations. The Libyan Government would be free to use all or part of the U.S. payments for the Field in either or both of the two agencies.

3. The U.S. administration of the technical assistance program in Libya may be expected to work closely with the two agencies and assist them in carrying out projects eligible for assistance under the Mutual Security Program.

However, the fundamental question raised in the series of despatches under reference is whether there is any possibility of a U.S. contribution to the Libyan Public Development and Stabilization Agency or to the Libyan Finance Corporation and whether the U.S. should accept a membership in either of these institutions or should otherwise participate

more

CONFIDENTIAL SECURITY INFORMATION
(Security Classification)

DRAFTED BY: NEA/AF:JFRoot;DELonganecker:mm 10-14-53

APPROVED BY: AF: L. G. Cyr

CLEARANCES: NEA ED - Mr. Smith

DEPARTMENT OF STATE A/CDC/MR BY J. M. Rags DATE May 6, 1982

OCT 22 1953 P.M.

CONFIDENTIAL SECURITY INFORMATION
(Security Classification)

more directly than at present in Libyan economic affairs to insure the proper use of any American aid.

Financial grants to Libya, in view of present Congressional views on foreign economic aid, are likely to be only the necessary as a quid pro quo for our military base requirements. The practical issue, then, is whether, in negotiating this quid pro quo, it would be desirable to attach any conditions to its use and perhaps retain for the U.S. a continuing voice in its management. The Department notes the Legation's opinion in the final paragraph of despatch 40 that, if an opportunity arises during the negotiations, we should seek to examine this question with the Libyans. While the Department is willing to consider this question further in the light of future developments and the progress of our negotiations, our present views are limited to the following:

1. Any Libyan interest in our advice on the use of the contribution should be encouraged but they should not be led to believe that we will pay the expense of a financial adviser.

2. Because of Italian predominance in the Finance Corporation, and Libyan suspicion of it, we should not, under present circumstances, consider joining it.

3. We should encourage the Libyans to place at least part of our contribution in the Development Agency; we should not do this at the expense of our base agreement, and should study sympathetically other worthy uses.

4. If they do place the whole or part of our grant in the Development Agency in a manner which entitles us to membership, we should probably accept such membership (if we are permitted to do so under existing U.S. legislation).

5. On balance, the combining of technical assistance programs under a U.N. agency, in spite of the arguments for it, is impractical. If, however, there should be any indication that Congress would favor rather than oppose such an idea, then it should certainly be reconsidered.

The Department will be guided by the further views of the Legation and by developments during the course of the negotiations. It notes with particular interest that the Legation now seems to lean in favor of our having some supervision over the use of the U.S. grant. The unfortunate consequence, both in Libya and in criticism here at home, of any alleged squandering of U.S. aid would be of serious concern. On the other hand, the primary purpose of the quid pro quo grant (which is to be provided from Air Force appropriations) is to obtain a satisfactory base agreement and this must remain the paramount concern.

The difficulty of Deere & Company and the Caterpillar Tractor Company in financing their sales of equipment in Libya have existed for some time. Representatives of the latter company discussed the situation with the Department recently and while there did not appear to be any means of solving their problem at this time, it was suggested they discuss it with the Ex-Im Bank.

DULLES